

R. J. REYNOLDS TOBACCO COMPANY

◆ **MONARCH MENTHOL BOX** ◆



January 3, 1994

CONFIDENTIAL

(To be Copied for RJRT Full-Time Sales Personnel Only)

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INTRODUCTORY TIMETABLE

| | <u>W/O DATE</u> |
|--|-----------------|
| Fact Book to Field | 11/22/93 |
| UPC Scanning Sheets Drop Shipped | 11/22/93 |
| Carton/Pack Tags & Facsimiles - Available to Order | 11/22/93 |
| POS Available to Order | 11/22/93 |
| Retail/Direct Account Fact Sheets Dropped Shipped | 11/29/93 |
| Division Meetings | 11/29/93 |
| Begin Selling Direct Accounts & Chains | 11/29/93 |
| Product in Public Warehouses/First Order Date | 11/29/93 |
| First Delivery Date to Direct Accounts & Chains | 12/6/93 |
| Hand Held Distribution Codes in Place | 12/6/93 |
| First Order Date for B1G1Fs | 12/6/93 |
| First Delivery of B1G1F's to Direct Accounts | 12/27/93 |
| DTS | 1/3/94 |

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MONARCH MENTHOL BOX FULL FLAVOR AND LIGHTS

AVAILABILITY AREAS

MONARCH Menthol Box and MONARCH Menthol Lights Box will be made available in the North Atlantic Sales Area. These new brands styles will be made available nationally by Field requests based on opportunity to build business, predicated by menthol and box development. To request distribution for these products outside of the introductory area, please contact Bill Duffy (#5776) before ordering.

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MONARCH MENTHOL BOX FULL FLAVOR AND LIGHTS

Marketing Objectives & Strategies

MONARCH Menthol Box products are an entry into the growing menthol Saving's category in NASA. These products will capitalize on the high development of box packaging and menthol development throughout the Sales Area.

Objective:

Introduce and compete for price vulnerable menthol adult smokers with preferences towards box packaging and menthol taste attributes of Newport.

Strategy:

Obtain distribution during normal coverage with emphasis on retail accounts where Newport is average to highly developed. Gain trial via display/product positioning, strong price communication with new box POS and January B1G1F's.

Product & Packaging

MONARCH Menthol Box and Menthol Lights Box are different products from the current MONARCH Menthol soft pack styles. These box products have reduced menthol levels comparable to Newport products.

Menthol Levels

| | <u>Monarch Box</u> | <u>Newport Box</u> | <u>Monarch SP</u> | <u>Salem</u> |
|-------------|--------------------|--------------------|-------------------|--------------|
| Full Flavor | .30 | .32 | .45 | .45 |
| Lights | .55 | .45 | .60 | .60 |

The box packaging graphics will be a direct translation from the current soft packs except for a pre-printed message along the top of the pack communicating "New Menthol Taste." This message will appear on the packaging through the first six months of the introduction.

Both box products will have cork filters consistent with Newport Full Flavor and Newport Lights.

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MONARCH MENTHOL BOX FULL FLAVOR AND LIGHTS
Sales Objectives/Strategies

Coverage Objectives:

Direct Account/Direct Chain/Non Direct Chains:

- Coverage can take place immediately as the first delivery date to Direct Accounts will be Monday, December 6, 1993. Both MONARCH Menthol Box styles may be sold at this time.
- Due to the taste similarity with Newport and box packaging, these brand styles represent an excellent opportunity for distribution in C/D calls. Penetration of these accounts should be obtained through direct account sales forces, distributor assist and/or telemarketing efforts.

Retail Accounts:

- Introduce MONARCH Menthol Box as you make normal monthly coverage of Key, A, B, C and E accounts. No special new brand introductory coverage patterns should be implemented nor are first quarter work plan priorities to be abandoned to introduce MONARCH Menthol Box.

Distribution Strategies:

- Obtain maximum distribution levels of MONARCH Menthol Box Full Flavor and Lights in accounts whose Newport/menthol box and Savings category development is average to high.
- Distribution objectives may be determined by your AVP/Regional Manager based upon marketplace opportunity.

Retail Strategies:

- Do not displace/reposition RJR private label/distributor brands with MONARCH in accounts where we have established partnerships with our chain and/or distributor partners.
- Utilize the MONARCH Distribution Program elements to gain MONARCH Menthol Box Full Flavor and Lights distribution, merchandising/display presence and superior price communication. Aggressively match pricing with any key/significant lowest priced brand(s) via buydowns, i.e., GPC, Basic, Prime, Private Stock, Competitive Private Labels, etc.
- Utilize new Menthol Box POS, B1G1Fs and primary positioning on MONARCH displays where distribution is obtained to aggressively communicate price and create consumer awareness and trial during first quarter.
- Sell-in high inventory levels to create a "big brand" image as well as to eliminate out of stocks. It is critical that adult smokers, particularly adult Newport smokers, who have tried MONARCH Menthol Box styles via B1G1F and/or a buydown are able to repurchase the brand consistently.

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MONARCH MENTHOL BOX FULL FLAVOR AND LIGHTS

Direct Account Information

- There will be no introductory allowances offered on MONARCH Menthol Box Full Flavor or Lights (\$18.00 per case equivalent based on .60 per ctn semi-annual rebate).
- List price and terms are equal to those of current styles of MONARCH.

| | <u>List Price</u> | <u>Rebate</u> | <u>How Paid</u> |
|-------------------------|-------------------|---------------|-----------------|
| MONARCH MENTHOL BOX FF | \$42.45/M | \$0.60/ctn. | Semi-Annually |
| MONARCH MENTHOL BOX LTS | \$42.45/M | \$0.60/ctn. | Semi-Annually |

On the following page you will find a sample of a Direct Account customer letter announcing the availability of two additional MONARCH styles. No customer letter will be mailed from Winston-Salem. You may elect to hand deliver or mail this letter to your accounts as you deem necessary.

Each office will receive a one-time shipment of retail/direct account fact sheets packed 25 per SKU. Fact sheets will arrive in offices during the week of November 22, 1993.

- Handling of state tax procedures for B1G1F promotion.
 - The state cigarette excise tax is based on the rate of tax in the state where the product will be used (consistent with current procedure). *Ensure state usage is specified at the time of order.*
 - Local tax reimbursement must be handled by request at is currently done with all buy-some promotions. Refer to the policy and procedures manual pages C-33 and C-34.

-SAMPLE LETTER-

November 22, 1993

TO OUR CUSTOMERS:

Two MONARCH brand line extensions, MONARCH MENTHOL BOX Full Flavor and Lights, will be made available in your market on December 6, 1993.

MONARCH MENTHOL BOX styles provides MONARCH with a cork tip Full Flavor and Lights Box low price product with a reduced menthol taste that will appeal to adult smokers in your market.

Pricing

MONARCH MENTHOL BOX styles will only be available in 6M cases. List prices, terms and rebates will be equal to those of current styles of MONARCH.

| | <u>List Price</u> | <u>Rebate</u> | <u>How Paid</u> |
|-------------------------|-------------------|---------------|-----------------|
| MONARCH MENTHOL BOX FF | \$42.45/M | \$0.60/ctn. | Semi-Annually |
| MONARCH MENTHOL BOX LTS | \$42.45/M | \$0.60/ctn. | Semi-Annually |

There will be no special introductory allowance or terms on this product.

Product Information

| | <u>UPC</u> | <u>Length (in)</u> | <u>Width (in)</u> | <u>Height (in)</u> | <u>Cube (ft.)</u> | <u>Weight</u> |
|-----------------|-------------|--------------------|-------------------|--------------------|-------------------|---------------|
| FF83 Box | | | | | | |
| Case (6M) | 12300-23706 | 17.625 | 11.6250 | 1.371 | 1.371 | 19.8 |
| Carton | 12300-23713 | 11.125 | 1.8750 | 3.4375 | 0.041 | 10.13 |
| Pack | 12300-23799 | 2.2047 | 0.9055 | 3.4055 | .0040 | .933 |
| LT83 Box | | | | | | |
| Case (6M) | 12300-33406 | 17.625 | 11.6250 | 1.371 | 1.371 | 19.8 |
| Carton | 12300-33413 | 11.125 | 1.8750 | 3.4375 | 0.041 | 10.13 |
| Pack | 12300-33499 | 2.2047 | 0.9055 | 3.4055 | .0040 | .933 |

Ordering Information

First availability date to receive product is December 6, 1993. Orders for MONARCH MENTHOL BOX can be placed with your regular RJR orders.

Your RJR Representative will be contacting you soon. You can depend on RJR for brands that sell.

R. J. REYNOLDS TOBACCO COMPANY

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MONARCH MENTHOL BOX PRODUCT PROFILE

Two Styles: MONARCH Menthol Box 83's
MONARCH Menthol Lights Box 83's

Filters: Cork

Tar/Nicotine: MONARCH Menthol Box 14mg / 1.2 nic
MONARCH Menthol Lights Box 9mg / .8 nic

MONARCH MENTHOL BOX 83'S & LIGHTS BOX 83'S CONFIGURATIONS

| | <u>Length (in)</u> | <u>Width (in)</u> | <u>Height (in)</u> | <u>Cube (ft.)</u> | <u>Weight</u> |
|-----------|--------------------|-------------------|--------------------|-------------------|---------------|
| Case (6M) | 17.625 | 11.6250 | 1.371 | 1.371 | 19.8 |
| Carton | 11.125 | 1.8750 | 3.4375 | 0.041 | 10.13 |
| Pack | 2.2047 | 0.9055 | 3.4055 | .0040 | .933 |

UPC CODES

| <u>Packing</u> | <u>Case (6M)</u> | <u>Carton</u> | <u>Pack</u> |
|------------------------|------------------|---------------|-------------|
| Non Menthol Box | 12300-23706 | 12300-23713 | 12300-23799 |
| Non Menthol Lights Box | 12300-33406 | 12300-33413 | 12300-33499 |

*Please note: These two new menthol box styles will be shipped in 6(M) cases.

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MONARCH MENTHOL BOX FULL FLAVOR AND LIGHTS
Promotion/Display/S.I.S. Reporting

Retail Promotion

MONARCH Distribution Program Review:

- Utilize existing program, as needed, to obtain new distribution on Menthol Box Full Flavor and Lights.
- All spending will come from existing SAVINGS budget - no incremental budget dollars will be available.

Program Elements:

- Introductory Buy 10 Cartons Get 1 Carton Free Offer
 - Timing: Beginning 12/6/93
 - Limit: 10 free cartons per retail account
 - SIS Reporting: MONARCH \$1 PMT
 - Hand Held Dates: 12/6/93
 - PC Dates: 12/6/93

Round to the nearest \$1 to cover the wholesale cost of the free carton(s)

Note: Other introductory offers in lieu of the B10G1F are allowed with Regional Manager's approval.

Merchandising/Display Payments:

- Display payments are allowed with flexibility on payment and timing in order to allow you to be competitive in the marketplace, however, below you will find a standard framework from which changes can be made. Your Regional Manager will play an active role in determining the appropriate amount/timing for the marketplace.

Payment per Account
\$10.00

Performance Requirements

- Distribution (minimum 7 styles)
- Other as determined by Field

\$15.00

- Distribution (minimum 7 styles)
- Display placement (counter on floor)
- Other as determined by Field

\$20.00

- Distribution (minimum 7 styles)
- Display placement (counter of floor)
- B1G1F promotion (supplemental display)
- Other as determined by Field

Timing: Beginning 12/6/93
SIS Reporting: MONARCH \$1 PMT
PC/Hand-Held Dates: Beginning 12/6/93

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MONARCH MENTHOL BOX FULL FLAVOR AND LIGHTS

Promotion/Display/S.I.S. Reporting

BUY-ONE-GET-ONE-FREE PROMOTION

- A B1G1F promotion will be offered on both MONARCH Menthol Box Full Flavor and Lights
- Promotion number is 305487 and allocations will be made available by your Region Manager.
- First date product will be available for ordering will be 12/6/93.
- PC/H-H Reporting: MON BXGXF (report # gratis packs placed)
Beginning 12/6/93
- See SMS function 551 - Work Plan Communications for details.

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MONARCH MENTHOL BOX SUPPORT MATERIALS

Point of Sale: Available to order 11/22/93.

| <u>ITEM</u> | <u>COMMODITY #</u> | <u>SKU PACKING</u> | <u>SKUs Per Rep</u> |
|--------------------------------|--------------------|--------------------|---------------------|
| Small PPD Card | 451446 | 50 | 3 |
| Large PPD Card | 451457 | 50 | 6 |
| Premium Promotional Riser | 451468 | 25 | 3 |
| Dump-bin/Floor Base Riser | 451479 | 25 | 3 |
| Extra Large Paster (35" x 24") | 451490 | 25 | 10 |
| B1G1F Starburst | 451501 | 25 | 8 |

Tags & Facsimiles: Available to order 11/22/93.

| <u>ITEM</u> | <u>COMMODITY #</u> | <u>SKU PACKING</u> |
|--------------------------------------|--------------------|--------------------|
| Mon Menthol Pack Facsimile | 438727 | 10 Sheets |
| Mon Menthol Lights Pack Facsimile | 438738 | 10 Sheets |
| Mon Menthol Pack Tag | 438771 | 10 Sheets |
| Mon Menthol Lights Pack Tag | 438782 | 10 Sheets |
| Mon Menthol Carton End Labels | 438749 | 10 Sheets |
| Mon Menthol Lights Carton End Labels | 438760 | 10 Sheets |
| Mon Menthol Carton Repacks | 438793 | 100 per/sku |
| Mon Menthol Lights Carton Repacks | 438804 | 100 per/sku |

MONARCH Retail/Direct Account Fact Sheets: Drop shipped week of 11/29/93

MONARCH Menthol Box UPC Scanning Sheets: Drop shipped week of 11/22/93

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MONARCH MENTHOL BOX FULL FLAVOR AND LIGHTS

MILITARY

Refer to previous communications received regarding selling MONARCH to Military Accounts.

VENDING

Vending labels are being produced and will be available at a later date. Information inclusive of commodity numbers will be send under separate cover.

SHELF LIFE

MONARCH Menthol Box styles have the same shelf life as the rest of the MONARCH family.

| | |
|-------------------|-----------|
| Public warehouse: | 11 months |
| Wholesale: | 12 months |
| Retail: | 14 months |

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